Investor's Reader

March 2, 1960

For a better understanding of business news

BIG WHEELS
AT FIRESTONE
(see page 17)

FIRST DALLAS BANKERS

The young man between 65-year-old chairman Ben H Wooten (left) and 64-year-old vice chairman John J Kettle is Robert H Stewart III who at the age of 34 has just taken over as president and chief executive of the $806,000,000-deposits First National Bank in Dallas, the 29th largest bank in the country. Bob Stewart succeeds new chairman Wooten who had presided over a full decade of fast First National growth during which resources and deposits almost tripled, loans multiplied 3½ times and earnings 2½ times.

To support this growth, capital & surplus has been quadrupled to $60,000,000 in the past decade with part of the increased capital needs met by five stock offerings (via rights). Withal, the stock has risen from an adjusted over-the-counter price of 22 ten years ago to 39 currently and dividends have been upped from $1.09 to $1.50 a year.

As he tackles his new job, president Stewart "couldn't be more optimistic about the future of the First National which has played an important part in Dallas and the Southwest for 85 years and will certainly continue to do so." With the First National since 1951 (the first two years after his 1949 graduation from Southern Methodist were spent with another Dallas bank), Bob Stewart views the bank with a three-generation perspective. Grandfather Robert Sr was president, vice chairman or chairman of First National or a predecessor from 1914 till 1936; father Robert Jr, a paper executive, then served as director in 1936-59. Meantime Bob's uncle Charles Stewart who migrated from Dallas to New York, currently serves as president of Manufacturers Trust.

Accepted as controlled circulation publication at Poughkeepsie, New York. INVESTOR'S READER published fortnightly. This issue dated March 2, 1960.

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Investor's Reader

No 5, Vol 34 March 2, 1960

BUSINESS AT WORK

NATIONAL ECONOMY
Last Year in Brief

CLIPPED TO president George Thompson's letter to Arvin Industries stockholders giving 1959 results ($1.80 *v* $1.32 for the year but only 31¢ *v* 81¢ in the last quarter) was a calling card-sized summation by vp Harlan Foulke:

1st Q............Good
2nd Q..................Better
3rd Q........................Better
4th Q.........Whoops!........No Steel!

COMMODITIES
Sugar Stalks National Scene

WHEN Fidel Castro opened trading on the New York Coffee & Sugar Exchange one morning during his US trip last April INVESTOR'S READER reported: "Whether or not the uptrend in sugar prices will continue remains uncrystallized. The only certainty: until Fidel Castro decides to speak, the eyes of world sugar traders are on the rebel premier."

Now ten months later Dr Castro's policies are starting to unfold but the outlook for sugar prices is still uncrystallized. Various factors of course have had short-run influences on prices. For instance last Fall when poor European weather threatened a reduced beet crop, sugar prices flurried up. The rally lasted only until it began to look as if Cuba and other sugar producers like Mexico, the Dominican Republic and Brazil would end the year with large carryovers.

Save for a few sporadic rallies, prices have for almost a year hovered between slightly over and well under 3¢ a pound, close to an 18-year low. And biggest factor in this depressed market has unquestionably been the policies of Premier Castro himself. World traders had feared the Caribbean island republic, in its current precarious financial state, might

dump its sugar surplus on the world market. So far this has not happened. Meantime, however, some spectacular Cuban sales have made world news and given at least a temporary bolster to sugar prices.

First off, early last month Cuba agreed to deliver 345,000 long tons of sugar to the Soviet Union before May 15 at 2.78¢ a pound f a s (free alongside ship) Cuba *v* the then prevailing price of 2.9¢. But with this ready market for her prime commodity the threat of Cuban "distress selling" faded and sugar prices temporarily rallied to 3.1¢ a pound.

A few days later Commerce minister Raul Cepero Bonilla stabilized the situation further. He affirmed Cuba would stay with the International Sugar Agreement which calls for limited production and marketing quotas based on prices. Specifically if the spot price falls below 3.15¢ for over 17 consecutive business days (it was nearing five months at presstime) the sugar council (which is composed of members of the ISA) meets and can cut quotas to as little as 80% of their basic world market allotment. The latest reduction came a few weeks ago when a 2½% cut brought most major exporters down to 85%.

Soviets Shrink Surplus. Since then the Russo-Cuban deal has expanded greatly and now Minister Cepero Bonilla predicts Cuba can sell all her 1960 world quota by the end of this month even though there are still 5-to-600,000 tons unspoken for. In the much publicized Mikoyan-Castro pact formalized by the Soviet First Deputy Premier, Russia proposes to buy 5,000,000 tons of Cuban sugar over the next five years—200,000 tons each year for dollars and 800,000 on barter for Russian machinery and other equipment. In addition Russia has granted a $100,000,000 loan repayable at 2½% over a twelve year period.

Minister Cepero Bonilla noted before the deal was announced that prices in the 2.8-to-3¢ range were satisfactory to Cuba. This is low, even compared to 1959 whose 2.97¢ average was the weakest since pre-War II years. Cuban costs probably exceed 4¢ but the higher US market improves the average considerably. In 1957 world raws reached a high of 6½¢ while the Korean War scared sugar prices up to 8¢ a pound.

On the New York Coffee & Sugar Exchange futures trading in No 4 "world" sugar contracts immediately reflected the latest international developments. With the Cuban oversupply fading and Brazil's 1960 quota nearly exhausted, the nearest contract (scheduled for May delivery) is trading upwards to 3.11¢. Traders are apparently more optimistic for the more distant future. The July contract is trading at 3.18¢, September at 3.20¢ and March-May 1961 about ten points higher.

Domestic Debate. The domestic market of course is quite a separate affair from the world dealings. Under the 1956 US Sugar Act domestic production and imports are regulated to maintain a fairly even price level which has been running 2-to-3¢ a pound above the world price.

Thus the September No 6 or

domestic contract is trading around 5.79¢. At the same time the new No 7 contract instituted by the Exchange in January is quoted about 50-to-55 points (a point is one one-hundredth of a cent) above the No 6 since it calls for delivery at Atlantic seaboard ports of "duty paid" sugar in bulk while No 6 covers bagged "in bond" sugar.

The US system allots quotas to domestic beets and cane from Louisiana, Florida and Hawaii, as well as Cuba, Puerto Rico and the Philippines, gets small amounts from other areas. Cuba supplies approximately one-third of US needs.

The Sugar Act expires this year and the terms, always subject of much controversy, are more controversial than ever. Many Congressmen as well as some State and Agriculture Department officials want to reduce Cuban quotas and allot them to "friendlier" nations. However fundamentally the United States does not believe in "economic sanctions," nor does it want to hurt the Cuban people. Also as Secretary of State Christian Herter reminded the House Foreign Affairs Committee the act was originally written to protect the price received by domestic growers. Ironically some 40% of Cuba's cane comes from American-owned plantations which will likely all be nationalized by the end of this crop year.

Dolorous Dividends. In the fiscal year ended last Fall, most Cuban sugar companies suffered whopping earnings declines and several of the once profitable producers actually had losses. For example: Cuban-American's profits fell from $3.17 a share in fiscal 1958 to a mere 99¢ in the year ended September. Central Violeta declined to 88¢ a share from $3.89

Foreign cane rolls in

and Vertientes-Camaguey reported 47¢ v $1.37 the year before. Manati earned 30¢ (after a special credit of 36¢) against $1.47 in 1958 while Francisco Sugar posted a $231,000 loss v last year's profit of $2.86 a share.

Dividends, always irregular, have suffered too. Francisco and Manati have not made a payment to stockholders since December 1958. Central Violeta declared 50¢ in January compared to the $3 paid a year ago. Cuban-American paid a thin dime in September and January v its previous 40¢ quarterly. Vertientes-Camaguey still has not paid nonresidents the $1 declared in October because of "exchange controls and other restrictions." Atlantica Del Golfo has delayed mailing its 50¢ payout for a similar reason.

By the time US holders do receive their meager dividends, the checks are pared further by a 6% Cuban withholding tax. Already at least one producer has given up. West Indies Sugar Corp started liquidation proceedings last month. Meantime a recent rise in interest rates on Cuban bank loans from 6 to 7% will make the road even tougher for those companies still operating.

MANUFACTURING
Clark Equips for 1960

EIGHT years ago Clark Equipment Company reported its sales passed the $100,000,000 level for the first time in its history. As he made his happy announcement, president George Spatta noted somewhat hesitantly: "We closed our books for 1951 on alltime record production. We don't know if we will ever hit it again."

He was conservative in the extreme. Since then Clark has spent $3-to-4,000,000 a year to increase its manufacturing facilities. In 1953 it supplemented its traditional automotive parts & industrial truck divisions with construction machinery, a business which now accounts for a fat third of total sales. Then in 1958 Clark added trailers.

Thus last week when he reported 1959 figures, president Spatta was again able to proclaim the highest sales & earnings in the company's history. This time volume swept aside another milestone. It passed the $200,000,000 mark (by $8,000,-000). This represented an amazing leap of nearly 50% above the $142-to-146,000,000 plateau of 1956-58.

Profits did even better on a year-to-year basis and climbed 92% to $12,400,000 or $5.21 a share compared to $2.70 in 1958. The gain is smaller but still pleasantly significant when compared with the $3.57 netted in 1957 or $4.23 previous peak in 1955. And the 1959 gain was accomplished despite the steel strike "which affected us to the tune of another $20,000,000 in volume and $1,000,000 in profits."

President Spatta elaborated: "Sales increases were recorded in each of our four operating divisions." The biggest gain came appropriately enough in Clark's biggest division, industrial trucks (fork lifts, straddle carriers, towing tractors etc) which chalked up an $80,000,000 volume. This division also serves as

a ready market for Clark's heavy automotive components (transmissions, axles etc) about half of which go into Clark's own lines.

But the most dramatic gains have been in construction machinery. In 1953 to round out its materials handling line Clark acquired straddle carrier maker Ross Carrier Company. The deal also included Ross subsidiary Michigan Power Shovel, a small excavator crane maker with sales of only \$3,500,000. Since then Clark has expanded Michigan Power with tractor shovels, dozers & scrapers and the division showed a hefty \$62,000,000 volume last year.

Clark hopes to do as well with Brown Trailer (the country's No 3 trailer maker after Fruehauf and Pullman-owned Trailmobile) which it purchased in February 1958. Already Clark has managed to boost sales from \$13,000,000 in 1957 to \$22,000,000 last year. George Spatta relates: "Brown has gone through major changes since the acquisition. We have had to train several hundred new people and consequently it did not show a profit last year." However he counts on the reorganization to put Brown in the profits column this year. One booster is a new Michigan City, Ind plant which will double trailer making capacity.

Six in Sixty. With all divisions expected to be in the black plus the good economic outlook president Spatta believes "earnings of \$6 a share are possible" this year. He confides orders tapered off in January but "that month is traditionally slow for us" and business should pick up by Spring. Clark's huge foreign network (13 affiliates in nine countries) is also earmarked for bigger 1960 profits. In 1959 they brought in \$1,100,000. Last November Clark finished construction of a \$4,500,000 automotive transmission plant in Brazil.

Spatta spots Clark ad

With promise of an even better 1960 directors last month voted a dime hike in the quarterly dividend to 60¢. In the past decade Clark has maintained a 50% payout so if 1960 earnings are realized, another increase is possible. In addition at next month's annual meeting stockholders will be asked to approve a 2-for-1 split. At present Clark common trades on the Big Board around 84, some 12 points below its high scored last year but more than double the 1958 low.

BUILDING MATERIALS
Gustin-Bacon Glaze

MOST people think of glass as fragile and breakable. Not so the $18,000,000-assets Gustin-Bacon Manufacturing Company of Kansas City which credits the bulk of its volume to glass. President John T Conlon explains "Gustin makes no ordinary window glass" but rather glass fibers whose molecules have been realigned to form chains which "are stronger than steel" and easily matted into sheeting for all types of insulation needs.

Founded in 1898, Gustin-Bacon started out as a distributor of industrial equipment to the railroads. In 1931 its newly established research center patented the first glass wool insulation material. Because it lacked extensive distribution facilities Gustin sold this patent to Owens-Illinois Glass. But in 1943 the Gustin lab came up with another glass first—a plastic bonded glass fiber sheeting trade-named Ultralite. This strong, tough, light-weight insulator is now used in railroad refrigerator cars, refrigerated truck trailers, passenger cars and many steel buildings.

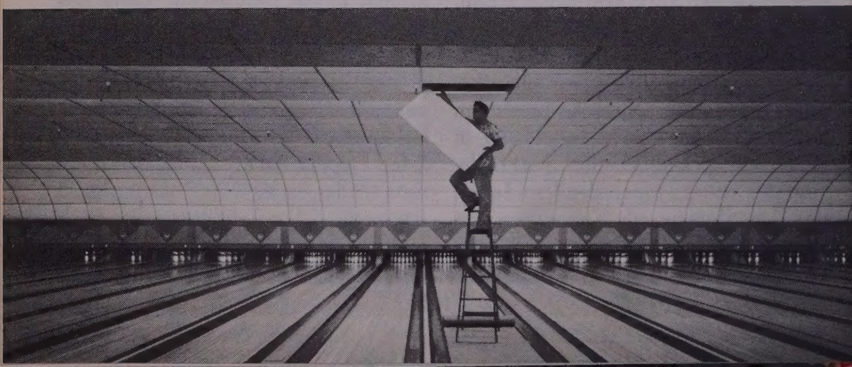
Gustin-Bacon has moved on to make a whole host of glass fiber insulating materials. Closely akin to Ultralite is Gustin's Ultrafine, a plastic bonded insulation and acoustical mat of finer glass fibers used mainly by the automotive industry. A variation of Ultrafine is the company's Snap-On pipe insulator.

Two of Gustin's newer insulators are Ultracoustic ceiling board (see picture) and G-B duct for air conditioner units. Still other insulating products at Gustin are made from organic fibers rather than glass. Under the names Amberlite and Satinaire these are sold to the automotive industry for all types of padding.

All told Gustin-Bacon's varied insulating materials accounted for 75% of last year's $28,600,000 volume. Another 15% was taken up by railroad mechanical products while industrial mechanical products accounted for 10% of sales.

President Conlon notes: "At Gustin we are constantly interested in the development of new products. And this year we'll spend $600,000 on research toward that end." One area: "A close study of the plastic

Quieter bowling with Ultracoustic ceiling tile



reinforcing field." This includes glass fiber for boats and car bodies. Another area under study at Gustin is textiles.

Gustin also has know-how in plastic pipe in which it started studies in 1944. It subsequently made an agreement with Minnesota Mining & Manufacturing covering development of reinforced plastic pipe. President Conlon explains: "We can get back into this field but 3-M's field tests are still in progress and it will be some time yet before results are confirmed."

Meanwhile GBA's use-tested acoustical and insulation materials along with its railroad and industrial mechanical products continue to keep sales volume "up." For the year ended September they brought in sales of $28,600,000—27% ahead of fiscal 1958. Profits came to $2,080,000, or $1.42 a share, up from $1,340,000 (92¢) in 1958. In the first quarter of fiscal 1960 sales reached $7,500,000 up from $6,600,-000 in the first quarter of last year. Earnings were 37¢ a share, six cents more than in the first quarter of 1959.

President Conlon notes: "The second quarter is running pretty much the same as the first." He expects the third and fourth quarters which are seasonally better in the building trade to be "ahead" of the first half.

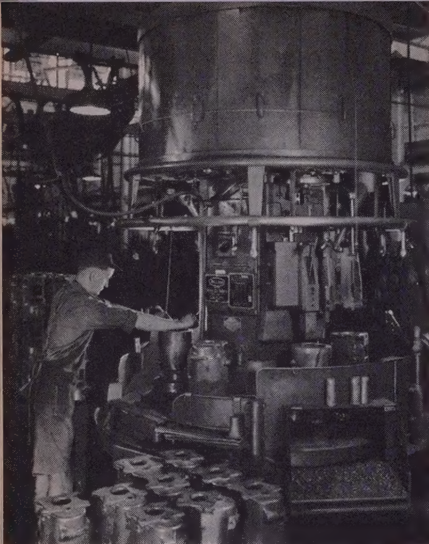
Also adding shine to president Conlon's "favorable" outlook for 1960 is the recent Big Board listing of Gustin-Bacon stock. The company's 1,459,000 shares now trade around 28.

AUTO EQUIPMENT
Borg-Warner in Car and Home

As 1959 drew to a close, Borg-Warner Corp of Chicago had taken one more stride toward the long-term $1 billion sales goal set by chairman Roy Claire Ingersoll when he assumed the presidency in 1950. That year sales were a far away $331,000,000. But thanks to a forward-looking policy of carefully selected acquisitions and internal expansions, Borg-Warner is already halfway home. Last week the company reported 1959 sales at an all-time high of $650,000,000, up 22% from the year before. Profits were second-best ever (topped only by 1955), came to $39,300,000 or $4.36 a share *v* $21,100,000 ($2.34) in 1958.

This rapid growth has been accompanied by a burst of diversification from gears to air conditioners to thermoplastic resins. As late as 1951 such auto parts as transmissions, clutches, radiators, carburetors and differentials accounted for 63% of volume and Borg-Warner is still thought of mainly as an auto supplier. Actually the company now consists of some 40 manufacturing and service subsidiaries, divisions and foreign affiliates and their talents reach far beyond Detroit.

Last year automotive volume came to just 33% of the total with another third brought in by the Norge appliance and York air conditioning divisions plus such building supplies as bathtubs, sinks and insulating materials. The remaining third of sales comes from a variety of products including saws, pumps, oil



Assembly step at B-W

tools, a multitude of small steel products, agricultural implement parts, electronic instruments and military vehicles.

However, company spokesmen are quick to say Borg-Warner has never meant to de-emphasize its auto business and currently "our interest has sharpened. We're going after it." A pioneer in automatic transmission, B-W lost a nice customer when Ford decided to make all of its own last year but the void was filled by higher total car production and the success of other divisions. For instance Norge boosted sales 29% over 1958 compared with an average gain of 13% for other appliance makers. Also, B-W has recently received two "important" orders from General Motors and with automatic transmission becoming more popular on the new compact cars, the company expects to get its share of that profitable business.

Meantime Borg-Warner is motoring abroad. A British plant in Letchworth turns out 200 automatic transmissions a day for Allard, Ford, Jaguar, Rover, Austin, Daimler and Mercedes-Benz among others. Small three-speed automatics are in the testing stages for $1\frac{1}{2}$-to-$2\frac{1}{2}$ liter cars and Borg-Warner has already launched a "large capital expenditure program for them over the next year or two."

Freezing with Gas. This year about half of its expected \$20-to-22,000,000 capital budget will go for a new Norge gas appliance plant at Fort Smith, Ark. The new facility will make mostly gas refrigerators which will be introduced for the first time this month.

But Norge's biggest new product news this year is a self-service dry cleaning machine. Slated for market by early Fall the new machine will be installed in coin-operated laundry centers, will clean eight pounds (or about $2\frac{1}{2}$ average weight men's suits) for 75¢. According to Norge executive vp Robert H Quayle Jr, "it exceeds our fondest expectations. The cleaning job is superb." The new machine could also feasibly be adapted for home use in the not-too-distant future.

Another "very happy situation" exists in the Marbon Chemical division. Its fair-haired product is a tough, weather resistant thermoplastic resin called Cycolac, whose major use to date has been in Western Electric's color telephones. The company feels the product has "literally thousands of end uses" with car fittings such as kick pads,

heater grilles and dash panels among the biggest.

As for the first quarter and the rest of 1960, a Borg-Warner officer says: "It looks good. There are a couple of areas of concern, mainly defense products and oil well supplies because the oil business is down. Overall we're optimistic but we're not so happy about the economy. Business hasn't snapped back since the steel strike as everybody thought it would. We could feel the cutback in auto schedules in the second quarter. Household appliances were down in the first quarter but even so it should run consistent with 1959 * * * and there could be an improvement."

HOUSEHOLD PRODUCTS
Drackett Line Up

ALTHOUGH by name the Drackett Company of Cincinnati may not be well known to the nation's housewives many of its products fill their cleaning closets. High on the list and top seller in its field is drain cleaner Drano. The company also makes such familiar labor saving items as Windex, the No 1 glass cleaner, Twinkle copper polish and Vanish toilet bowl cleaner.

Drackett turns out its popular household helpers from basic chemicals purchased from Dow, Monsanto and Allied Chemical. These are compounded in plants at Cincinnati, San Leandro, Cal, East Stroudsburg, Pa and Kentland, Ind. A new installation in Toronto was opened just last month.

Through its Los Angeles-based Calmar division, acquired in 1954, Drackett has an insured supply of dispensers for its products. Calmar produces plastic sprayers & dispensers for its parent and outside use. Notes third generation president Roger Drackett: "The plastic division is very important to us. We use about a tenth of its output ourselves." Calmar in turn gets its supplies from 80%-owned Maclin Company, a plastic molding compound maker.

Another Drackett supplier is Puerto Rican-based Plastics Inc whose non-voting stock is owned by Drackett. It supplies the Windex dispenser.

Small ($14,000,000 assets) Drackett greatly enlarged its product line with the 1958 purchase of Judson Dunaway Corp for 120,000 Drackett shares. At the time Dunaway had an annual profit rate of

Drackett "Twinkles" copper

about $175,000 on $3,900,000 sales. Chief Dunaway product is Vanish (the No 2 toilet bowl cleaner after Sani Flush). It also makes a porcelain stain remover called Delete. But not all Dunaway products stayed in the Drackett closet. Because of "marketing incompatibility" the company last year sold three Dunaway products (Expello moth crystals, Bug-A-Boo insecticide and sun tan lotion Sun-Fun) to Odor-Aire Inc.

Drackett's formulas have given the financial statements a well-scrubbed appearance. The company has increased profits in each of the last six years. In the year ended September 1959 earnings again reached a new high of $2,334,000 or $2.58 a share *v* $1,534,000 or $2.02 in fiscal 1958. Sales climbed 43% to $28,400,000. The trend continued in the December quarter as sales rose 24% to $7,500,000 while profits came to $560,000 or 61¢ a share *v* 47¢. For the full year the Drackett chief counts on a 12.5% increase in volume and a 10% profits rise.

Drackett stockholders have shared in the company fortunes. In September directors upped the quarterly dividend rate a nickel to 30¢, also declared a 20¢ extra. Drackett has no debt and just last month forced conversion of the last $1 convertible preferred shares still outstanding by calling the stock (convertible share-for-share into common) at $26.50. As a result there are now 920,000 shares of Drackett common outstanding which currently trade over-the-counter around 40.

ELECTRONICS
Communal Computers

THE CONTEST among computer makers has always been a hot one. And it is getting hotter as the various makers vie for service not only to their large customers but to small and medium-sized companies as well via data processing centers.

Such a method is old hat for machines which use punched cards to feed in information and vacuum-tube electronic systems to process them. But a new machine generation is here and if the heat generated by the computers is diminishing, the heat of competition is rising.

First to start such a centralized service was IBM which early last month opened an IBM Datacenter in the new Time & Life building. There it has at its customers' service an IBM 709 magnetic tape computer. This month IBM hopes to attract brokerage, banking and insurance customers with a Wall Street 7070 center.

When it does however it will find Radio Corp of America already there with a brand new $4,500,000 Electronic Communications Center which stars RCA's newest brain, the 501. The fancy new center was unveiled a fortnight ago to the presidents of the New York and American Stock Exchanges, about 100 high-powered present and potential customers and the press. Hosts to the dignitaries were RCA chairman David Sarnoff and president John L Burns, pictured at right with NYSE president Keith Funston and Amex prexy Edward McCormick.

The new center consists of a pair

of RCA 501s, each with its own electric and air conditioning systems as well as separate operators and maintenance personnel to guard against any possible breakdowns. They will operate round the clock, are capable of handling a heavy volume of paperwork for all kinds of financial district firms. In addition to selling the use of its machines RCA will also offer its own programming services. RCA officials estimate the new center can serve as many as 100 brokerage firms (three have signed to date, as has one manufacturing company).

An added feature is DaSpan, an "electronic pipeline" system by which customers can send their "input" data by telephone or teletypewriter, receive the computations ("output") back over the same wires, thus get their needed information without leaving their offices. RCA data processing vice president Donald H Kunsman calls DaSpan "the first digital communications system designed specifically to integrate electronic data processing with remote operations."

Input for RCA's new center will be in the form of punched cards or perforated paper tape which will be converted into magnetic tape for use in the computers. When processed, the output will be reconverted to punched cards or paper tape or to printed reports, using RCA's 600 line a minute printer.

RCA plans complete data processing services. For brokerage houses these will include computing customer trades, issuing same-day confirmations and printing customer

Live & electronic Brains

statements. For banks, the system will process daily transactions, update depositor accounts and other records. Insurance companies can use its facilities to handle premium notices and payments.

Service charges will be by transactions rather than by time used. Brokerage firms will pay from 50¢-to-$1.50 per transaction, which RCA says is "a saving of up to 50%."

The new RCA brain center was viewed happily by Big Board president Keith Funston who pointed out the need for quick and efficient handling of securities transactions. And if transactions reach the predicted 5-to-6,000,000 average daily level ten years hence the need should be even greater for companies unwilling or unable to maintain their own facilities.

The Wall Street Center is just the first of RCA's planned centers. The company hopes to establish a network across the nation. No 2 is slated

to open in Washington this month. To come later are centers in Chicago, Los Angeles and Pittsburgh. In addition RCA plans more centers in New York. Said RCA president John L Burns: "Ten years hence I foresee hundreds of business communities serviced by comparable facilities."

RCA does not confine its 501 to data processing centers alone. Since it first made them available late last year the company has sold 15 and has orders for 60 more. Customers include New York Life Insurance Company which will use three, Chase Manhattan Bank which has two, New York Telephone Company, Travelers Insurance and Crucible Steel.

The varied functions performed by this multifarious customer list are but one indication of the versatility of the 501. But just to drive the point home to the press and client assemblage, the new RCA 501 entertained the crowd with several choruses of "Happy Days Are Here Again" a tune popular when the Dow-Jones was at one-tenth today's level.

CHEMICALS
Chlorate Duo

THE JOINT VENTURE has become an increasingly popular form of doing business for many a modern day corporation. For one thing it affords less risk in launching a new enterprise. For another it offers a chance to exchange and utilize already well-established patents and know-how.

Latest joint venture is Penn-Olin Chemical Company, newly formed subsidiary of Pennsalt Chemicals Corp and Olin Mathieson Chemical Corp. The new combination plans a $6,500,000 plant at Calvert City, Ky to produce an annual 25,000 tons of sodium chlorate and other chlorate compounds.

Sodium chlorate is nothing new to either partner. Pennsalt already has a sodium and potassium chlorate installation at Portland, Ore where it recently added an ammonium perchlorate plant. Olin has developed a patented process for generating chlorine dioxide from sodium chlorate.

Sodium chlorate derivatives have many end uses. One, chlorine dioxide, is heavily used in paper manufacturing. Sodium chlorate is also the major raw material used in defoliants and weed killers. Another use is for production of ammonium perchlorate, a solid rocket fuel oxidizer.

Neither are Pennsalt or Olin strangers to the joint venture system. Pennsalt is co-owner with Hooker Chemical of Solar Salt Company which owns 12,000 acres bordering Great Salt Lake.

Olin teamed with Textron in 1955 to form Almetco which makes aluminum extrusions. A more significant venture was launched in 1956 when Olin and Revere Copper & Brass formed Ormet Corp to become the nation's fourth largest primary aluminum producer. More recent joint venture was the 1958 hook up with Sun Oil Company in SunOlin Chemical Company to produce synthetic urea, a substance used in the manufacture of plastics, adhesives, fertilizers.

DOW-JONES INDIVIDUALISTS

The table on this page virtually tells its own story. It lists for the 30 stocks which now make up the Dow-Jones industrial average (and for the quartet evicted from the D-J last June in favor of Alcoa, Anaconda, Owens-Illinois and Swift) the closing price on February 16, the day the average broke through the "resistance level" established by previous lows and set a new ten-month low of 611.33. The other three columns show the rise (printed in the white blocks) or fall (tinted background) of each of these stocks since: 1) January 5 of this year when the D-J industrials reached their alltime high of 685.47; 2) last September 22 when the average ended a seven-week, 62-point decline at 616.45 and 3) the start of last year when the climbing D-J stood at 587.59.

The figures re-emphasize the trite but too-often-neglected fact that individual stock action cannot be reckoned from general market behavior. While the sharp 74-point decline of the average this year was accompanied by losses for every D-J stock except unchanged Swift and slight gainer Telephone, individual drops ranged from 3 points for P&G to 35 for duPont. And with the D-J within 1% of last September's level, six stocks rose more than 10% since then while five are down more than 10%. Also, despite the average's 24-point gain compared with early 1959, fully 13 of the 30 individual D-J industrials declined during this period.

	Closing price Feb 16, 1960	Point Change Since 1/5/60	9/22/59	1/2/59
Dow-Jones Industrials	611.33	–74	–5	24
Allied Chemical	48	–9	–5	2
Alcoa	92	–15	–14	–1
American Can	40	–3	–2	–10
Amer Tel & Tel	85	3	10	10
Amer Tobacco	103	–5	6	7
Anaconda	57	–9	–2	–3
Bethlehem Steel	47	–10	–8	–6
Chrysler	58	–14	–3	4
DuPont	230	–35	–13	15
Eastman Kodak	95	–13	10	20
General Electric	87	–12	12	8
General Foods	100	–4	6	25
General Motors	45	–11	–7	–5
Goodyear	39	–9	–2	–1
Intl Harvester	46	–3	–2	5
Intl Nickel	105	–4	12	16
Intl Paper	110	–26	–11	–5
Johns-Manville	46	–4	–3	–7
Owens-Ill Glass	95	–9	3	7
Procter & Gamble	87	–3	6	13
Sears, Roebuck	45	–5	–3	6
Std Oil of Calif	43	–6	–5	–17
Std Oil of NJ	46	–4	–3	–12
Swift & Co	48	—	6	12
Texaco	75	–11	–1	–10
Union Carbide	131	–17	–1	5
United Aircraft	37	–3	—	–23
US Steel	83	–20	–17	–15
Westinghouse Elec	48	–8	5	12
Woolworth	62	–4	4	8
Companies dropped from average 6/1/59				
Amer Smelting	44	–9	1	–5
Corn Products	49	–7	–2	–5
Natl Distillers	31	–3	2	—
Natl Steel	77	–20	–12	1

Dapper Days at Hat Corp

Fashionminded Merchant Adds New Topping To Company Finances

ONE OF THE distinctions of Hat Corp of America is its ticker symbol. The easily recognized HAT is one of the few Big Board tags to spell out the name of the company it represents. Another Hat Corp distinction is its president, Bernard Leonard Salesky, a colorful 56-year-old hatmaker from Philadelphia who along with his family bought control of the Norwalk firm in 1955. He took over as chief executive after a fierce ten-month strike which had battered sales to less than half their postwar peak and plunged the company into dark red. Under his command the company has recouped much of its profitability and all its loss in volume.

The fateful strike five years ago merely climaxed HAT's troubles; sales had been on an unchecked decline ever since they reached the postwar high of $21,000,000 in 1948. In strike-ridden 1954 they plunged to $8,200,000. Since then, thanks to a hatful of high-geared merchandising policies and some astute acquisitions, Bernie Salesky has managed to increase sales each year with a record $25,100,000 scored for the year ended last October—a 19% gain over fiscal 1958.

The Salesky-sponsored gains were accomplished despite certain deletions: "We even threw out a million and a half worth of women's millinery. Ladies' hats just don't belong in a men's hat company."

The net income story has been similar. After a steady decline from the postwar high of $1,290,000 or $1.83 in 1949 HAT dipped $530,000 into the red in 1954. Since then earnings have gained year by year and in fiscal 1959 the company earned $1,100,000 *v* $905,000 the previous year. On a per share basis this worked out to $1.44 compared to $1.24 in 1958 even though there were 52,000 more shares outstanding after an 8% stock dividend in January 1959. Stockholders received a similar 8% stock distribution last month.

All told there now are 766,000 shares of HAT common outstanding; (over 45% controlled by the Salesky family, the rest owned by 2,000 other holders). From their low of 5 in 1954 the shares rebounded to 12, now trade around 9. Ahead of the common are 40,000 shares of $2.25 cumulative preferred and $500,000 long-term debt.

Most of the control of Hat Corp is exercised through two holding companies, Salesky Bros Inc and Byrndun Corp, but to simplify its corporate structure Hat plans a capital reshuffle provided stockholders give their approval at a special meeting next month. Under the plan the two holding companies would be merged into Hat Corp in return for 364,000 Hat shares. At the same time the 338,000 Hat shares owned by the two holding companies would be cancelled.

Top Hat. Hat's progress is Bernie Salesky's proof "men's hats are not

Hat Corp's fashionminded chief

a dying business. When people tell me that I laugh up my sleeve." Today he figures Hat Corp is "the largest hat manufacturer in the world." HAT hats which are marketed under the Knox, Dobbs, Dunlap, Cavanagh, Crofut & Knapp and Champ labels claim "about 41% of the dollar volume of the six major integrated felt hat companies. These are the only ones we have figures on but they account for almost all the felt hat business. Our portion of the straw business is somewhat less because there are lots of very cheap straws but we have a good share of the higher-priced straw market."

Men's hats are a natural for Bernie Salesky who describes himself as a "third generation hat man." He fashioned his first fedora at the family firm of Champ Hats which was founded as a cap shop by his father Harry Salesky with only $300 cash in 1901. Before him Bernie Salesky's grandfather had been a cap maker in Poland.

Bernie himself took over the presidency of popular-priced (current range: $9-to-12) Champ in 1928. From that year until 1955 he managed to increase sales more than 1,000%. Then Bernie left Champ to take over HAT. But in 1956 HAT bought out Champ in a $1,875,000 cash & note deal which brought three more Salesky brothers—Joseph (who died last Summer), Charles and David—to the HAT board.

Bernie Salesky brought to Hat Corp many of the economies which had helped Champ flourish. One of these was a stock production system. Until 1955 HAT, like many hat makers, produced only on a custom order basis and the factories were usually run only about 35 weeks a year. The result was expensive production, high overhead in slack periods and disgruntled labor. "It was like in

the Bible, the seven lean years ate up the seven fat ones."

Now HAT operates on a 52-week basis and "while we still continue to produce for customers' orders, we use slack periods to build up inventory." Hatman Salesky feels he can afford to stock in advance. "I don't mean to brag but I consider myself the best forecaster in the hat industry on style and color and I set the policy on stock."

Fashion Plate. But behind all HAT operations is homburg-wearing (7⅝) Bernie Salesky's overwhelming philosophy: "We have nothing to sell but fashion." He elaborates: "Americans don't scare easily. They're still smoking after all that cancer publicity, aren't they? The same thing holds true for the hat industry. If you tell a guy to wear a hat for his health or to keep his hair from falling out he won't buy. But if you tell him it makes him look better and by looking better he can get a better job, that's selling him!"

Last year HAT pushed the derby or bowler "which had been considered as dead as high button shoes." This year Bernie Salesky looks for big sales from velours and tyroleans —"you know, the kind with the big feathers on them. They'll sell for two reasons. Most men like to attract attention; 90% of them have inferiority complexes. Also they make a swell weekend hat."

The company makes most of its hats at three plants in East Norwalk, Conn. Straws are manufactured at Winchester, Tenn while facilities at Sunbury, Pa and Bethel, Conn turn out the lower priced Champ line. HAT sells through more than 10,000 independent dealers all over the country. In Manhattan it also operates five retail stores where along with hats it sells coats, suits, and other apparel under the Knox, Dobbs and Cavanagh labels. "We buy this other merchandise from outside sources and then put our own label in it. That way we get more mileage out of our labels than just hats."

Bernie Salesky has also put his merchandising theories into practice abroad. HAT has already cross-licensed manufacturers in Canada and Italy, is "about to consummate deals in Britain and Australia and then we'll hit Mexico, West Germany and France." HAT supplies on a royalty basis all fashion, merchandising, packaging and artwork know-how to the foreign makers as well as actual styles to copy. "That way we have to make no investment ourselves."

Fancy Fur. As an integrated manufacturer HAT makes its fur felt hats "from rabbit to bandbox." To facilitate fur purchases in foreign markets HAT last May paid $476,000 for Jonas & Naumberg, a fur-importing and processing house. But like many overseas crops, foreign fur is subject to great price fluctuations. Example: "Eighteen months ago No 1 Australian was bringing $4.50 a pound, now it's up to $7."

Also "there is a terrific variance in the processing of fur." Thus it is not surprising one of his pet projects is development of an acceptable man-made fiber. "We've joined up with a major chemical company—I can't tell you which one—and

we've almost got what we're looking for. In fact I'd say we were 90% there." HAT's research department, "the only one in the business," also works on such projects as better dyeing methods and new finishes.

Hat continues to make big gains. For the first quarter of fiscal 1960 (ended January) sales climbed 17% to $7,000,000 while earnings came to $356,000 or 46¢ a share *v* $285,000 (37¢). For the full year he looks for a substantial increase in sales. "We're making a big thing out of men's hats and I want the industry to prosper. Eventually I hope to have only 30% of the hat business [*v* 41% now] but of a much bigger pie."

Firestone Faces Bright Sixties

Sees Good Tire Year And Big Future Demand In All Its 'Six Fields'

READY TO CELEBRATE its 60th anniversary this Summer, Firestone Tire & Rubber Company is soaring into the Sixties on the momentum of the best year in its history. Sales for the year ended October were up 12% to $1.2 billion while profits came to $64,600,000 or $2.45 on each of the 26,400,000 shares outstanding after a 3-for-1 split effective last week. This compares with $53,750,000 or $2.08 a share in fiscal 1958.

The $802,000,000-assets company has completed a fine first quarter in fiscal 1960 and distinguished chairman Harvey Samuel Firestone Jr recently predicted at Akron headquarters: "We here at Firestone look forward to another great year in 1960, for ourselves and for business in general."

Much of his optimism stemmed from expectation of a very good auto year. He quoted production estimates of 6,800,000 passenger cars "times five tires each." As the No 1 supplier of original equipment tires Firestone plans to get a big chunk of this business, (it usually supplies half of Ford needs, 25% of GM and 75% of Studebaker-Packard). It also counts on selling a goodly share of the 70,000,000 replacement tires.

Of course the company also does a brisk business in the hundreds of sizes, shapes and compositions of truck, off-the-road (and not to forget in-the-air) equipment tires. One of the newest Firestone offerings in this category is a tire nearly twice the width of conventional ones. It is designed to replace the dual-tire arrangement on tractor-trailer rigs (see picture, pg 18). Firestone figures the new tire will afford great savings to truckers.

Lab Stimulants. The new tire is but one of the many new products to come out of the hardworking Firestone tire engineering and development labs, a department staffed with some of the youngest engineers in tiredom. Says director

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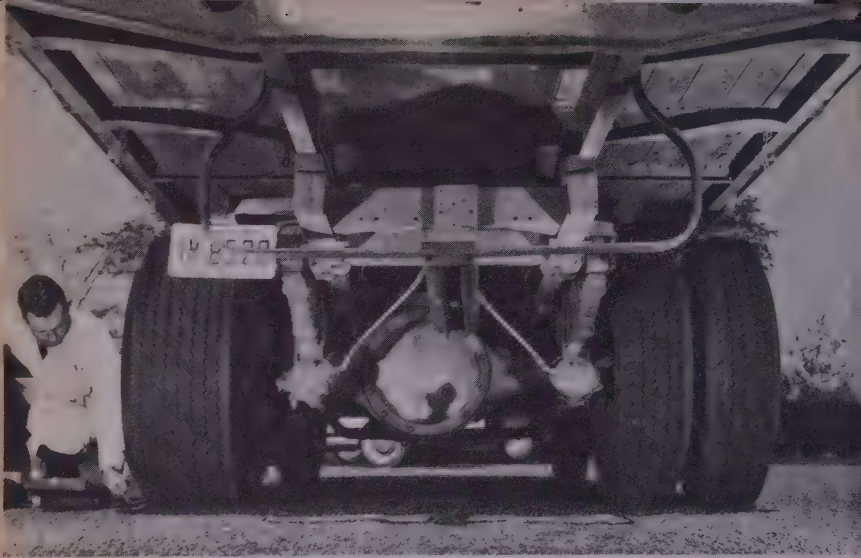
COVER: President Ray Firestone (c) eyes tire test with executive vp Ed Trainer (l) and engineer Robey Robson.



New dual tire gets check-up

James Joseph Robson: "You don't see many people with gray hair around here. We have a lot of young people and we encourage them to go ahead and work out their ideas with no need to check with me first. We throw out hundreds of tread designs but that's how we get a good one."

One of the big jobs of Robey Robson's department is to test new tires in a constant effort to come up with a combination which is stronger, safer, more quiet and more comfortable. The tires are tested on giant machines designed to simulate every condition a tire might undergo. Bounce, load deflection, stability, power loss as well as the effects of cornering and high speed are all carefully measured and recorded. There is even a landing simulator to test airplane tires. Nor are competitor's products overlooked. Robey Robson confides: "We test them all the time."

Size & Speed. A few floors above the testing labs, a visitor might think himself in Gulliver's Brobdingnag. On display are some giant off-the-highway tires for massive earthmoving equipment including the 1,924-pound Super Rock Grip Wide Base, a tire with an outside diameter of nearly eight feet and which carries a list price of $7,000.

More on the Lilliputian scale are the 13″ tires for the 1960 economy cars. And Firestone has developed an even smaller tire—a pint-sized spare which will tuck against the wall of the luggage compartment and leave an uncluttered trunk for bags. Four inches smaller in diameter than conventional-sized tires the tire and wheel assembly weighs one-third less, is thus less cumbersome to change. Designed as a temporary replacement with an advised limitation of 50 mph for 100 miles,

it will not cause the car to wobble; "the suspension takes care of it."

Versatile Firestone also engineers for speed. The leading maker of racing tires, Firestone has outfitted the winning car for the past 36 runnings of the classic Indianapolis Speedway Memorial Day "500". Firestone concedes the publicity profits from this feat are immeasurable and insists it also "provides us an invaluable testing laboratory." As for dollar profits from racing tires, engineer Robson says: "I'd hate to think our dividends would depend on profit from racing tires but overall we do a little better than even."

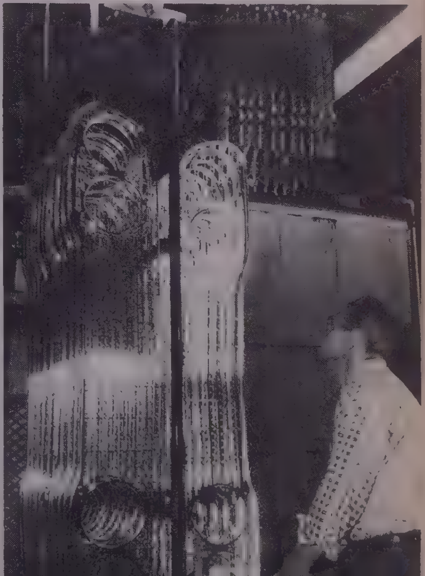
In August a new Firestone racing tire will be tested when the world's first jet-propelled car tries for a 500-mph speed record on the Bonneville Salt Flats in Utah. These specially designed tires weigh 287 pounds each, are an oversized four feet in diameter to keep the rpm down and give the car better stability and control.

Wheels and Missiles. Although 60% of Firestone volume comes from tires, rubber is but one of "The Six Fields of Firestone." Through its steel products division (which also created special wheels for the jet test car) Firestone stands as No 1 producer of such items as rims for trucks, tractors, trailers and earth-moving machines; wheels for farm machinery; farm wagons, stainless steel containers. These are made at three plants, in Akron, Quincy, Ill and Wyandotte, Mich. In addition the division also makes aluminum beer barrels, milk cans and pre-mix tanks for soft-drink dispensers, oil pans for Willys, grilles for Ford and Chrysler (see picture below) plus assorted decorative trim for many other auto makes. Outgrowths of steel products are the guided missile division, prime contractor for the Army's "Corporal" and the defense products division, supplier of recoilless rifles, ammunition and jet engine components.

Through other divisions Firestone has diversified into plastics, synthetics, textiles and chemicals. The 13-year-old Firestone Plastics Company division headed by Roger Firestone (youngest of the five sons of Harvey Sr) turns out Exon vinyl resins in Pottstown, Pa.

Fiber Fit. This Fall a new division—Synthetic Fibers—will begin production of nylon filament yarn for tire cord. Firestone will be the first tire company to make its own

Auto grilles from steel products



cord yarn, has recently bought a plant near Hopewell, Va to do the job (IR, October 14). Although still slightly premium priced, nylon has been closing in on improved rayon cord Tyrex, is now used in 40% of the passenger tire replacements although automakers stick to Tyrex for original equipment.

But the best future tire cord may be Dacron (or a differently branded equivalent) which almost equals nylon for strength and speed performance and does not "flat spot" (the thump noticeable for the first few miles after a tire has been run and then allowed to sit for a spell). Dacron is the tradename by US rights holder duPont for the British-developed polyester fiber known as Terylene in the rest of the world where it is marketed by Britain's Imperial Chemical (IR, February 3).

Terylene is now too expensive to be practical ($1.50 a pound *v* 97¢ for nylon) but when the basic patents and duPont's licensing agreement run out in 1961 tiremakers hope for a price drop. In any case Firestone has hedged the possibilities; the Hopewell plant is readily convertible into Dacron-type production if desired.

Rubber Base. Another double duty plant is being built at Firestone's Orange, Tex petrochemical center. When finished late this year the new facility will produce either coral rubber, an isoprene-base synthetic which duplicates the molecular structure of natural, or diene, a polybutadiene type with "great possibilities to outperform both natural and the standard synthetic rubber (GR-S) used in passenger tires."

These plants and other operations going up in Canada, France and India will boost 1960 capital expenditures to nearly $80,000,000 from $48,500,000 spent in fiscal 1959. The worldwide expansion is well timed. Economists think by 1970 total rubber demand will grow to 7,000,000 long tons *v* 4,000,000 now. President Raymond Firestone asserts: "Even with the increase in synthetic production and with a stepped-up planting program on our plantations as well as others, there is destined to be—if the experts are right in their estimates—a rubber shortage."

Expansion and increased earnings aside, Firestone has celebrated the onset of the Sixties in yet another way. Last November when directors voted the 3-for-1 split, they also raised the 65¢ quarterly dividend to 75¢ on the old stock. This equals 25¢ on the new "FIR" shares which last week traded around 41. This is virtually at the adjusted 1959-60 low (the high was 50) but compares with 29 two years ago and a mere 5 at the start of the Fifties.

As for the near term future, vice president-treasurer Elton Henry Schulenberg found the first quarter of fiscal 1960 to be "as good or better than last year." While the company felt some lack in Fall orders "Schuley" Schulenberg hopefully asserts "no auto sales were lost"—merely delayed. "The strike effects will not be noticed after the first quarter. We expect a much better year than last."

Midland-Ross Reblends Its Product Mix

Auto Equipper Drives Into Capital Goods, Househeating Markets

IF PEOPLE do not know what the Midland-Ross Corporation does for its quite prosperous living, it is not the fault of president Wade Negley Harris. Admittedly, the Big Board-listed company's name gives no inkling of its products. But energetic, 54-year-old Wade Harris tells the company's story to stockholders, analysts, business men and other citizens within eye or earshot at every opportunity and often in strikingly original fashion.

For instance one day late last Fall readers of many metropolitan newspapers were greeted by a full-page ad headlined ". . . and yesterday Midland-Ross took another giant step ahead . . ."—namely, the acquisition of Surface Combustion Corp for $23,000,000 cash. Under a large sketch of two businessmen chatting on a sofa were a dozen-odd paragraphs of dialogue attributed to Wade Harris and Surface president Henry Heyn. In the stylized expository manner of a medieval morality play, the two protagonists, after expressions of welcome and mutual esteem for their merging organizations, turned to address their audience with a description of their operations. President Harris started: "Midland-Ross provides engineering services, production line equipment and parts & assemblies to scores of industries —paper, automotive, textile, appliances, rubber, to name a few."

Henry Heyn chimed in: "Quite a few of your customers are also ours, Wade. Our Surface Industrial divisions in Toledo are the leading engineers and manufacturers of high-temperature industrial furnaces, annealing equipment, soaking pits and gas atmosphere generators for the metal-producing and metal-working industries."

Then he described Surface's two Janitrol divisions in Columbus, Ohio. "One develops and makes heaters, heat exchangers, pneumatic controls, couplings for both aircraft and missiles. The other manufactures the nationally known Janitrol heating and air conditioning equipment for residential, commercial and industrial use."

Wade Harris summed up: "Adding Surface's four plants in Ohio and one in Oklahoma gives the corporation a total of 14 plants in this country and Canada with combined floor space of over 2,000,000 square feet."

New Frame. Today's dispersed organization is certainly far different from the single-frame corporate structure Wade Harris found when he came to Midland in 1954 as executive vp. A 1925 Cornell graduate he had pursued a busy industrial career which included vp posts for manufacturing at Brunswick-Balke-Collender (1942-48) and automotive products at Murray Corp of America (1948-54). Midland Steel Products, as the company was then known, was virtually 100% in auto parts and over two-thirds of volume

Diversifier Wade Harris

was in the passenger car end of the business. Car frames were the principal product and Chrysler Corp by far the largest customer.

The company had done well enough in most postwar years (particularly those in which Chrysler did best); in fact, it has yet to match the $7,000,000 or $13.13 a share earned in 1950 or even the $8-plus level which prevailed in 1948-51. But Midland's position was highly vulnerable—especially with its concentration on one customer—and had started to deteriorate by the mid-Fifties.

Then however began the energetic campaign which now permits Wade Harris (who became president in 1956) to boast the company is "diversified to serve nearly all industries—integrated to serve them better." Fortunately the revamping was well along before Midland received what otherwise might have been a disastrous blow: loss of the Dodge and Plymouth car frame business starting with the '60 models along with the general trend toward unitized construction which eliminates the separate frame.

Active research and alert product development pumped extra millions into Midland volume. A relatively minor brake business has now become a $14,500,000-a-year operation with Midland a leading producer of power brakes for trucks and trailers. "We're getting about 75% of the trailer brake business," says administrative vice president Campbell W Elliott. In passenger car power brakes the company has won some replacement business (for Chrysler's Mopar division) and hopes for "some good original equipment accounts."

But the chief change in the Midland aspect has been external. The first key move was the December 1957 merger of J O Ross Engineering which created the Midland-Ross name (MLR on the stock ticker). At the time Ross had about $28,600,000 sales compared to $78,700,000 for Midland while common stock earnings had fluctuated between one-third and two-thirds the Midland profits.

With headquarters in New York City, Ross specializes in "engineered atmospheres" or the control of temperatures for industrial processing, especially in paper and paint finishing. "Cam" Elliott explains work is "mainly engineering design & installation" rather than manufacture though specialized

equipment is produced at plants in New Brunswick, Los Angeles and also (for textile equipment) in Boston.

Along with Ross came subsidiary John Waldron Corp. Founded in 1827, this unit (now the Waldron-Hartig division) is the oldest Midland-Ross component. Waldron makes paper converting machines and coating equipment for plastic, fabric or other sheetings.

Waldron is increasingly "getting into metal finishing equipment," especially for precoating aluminum sheets and coils. Some of the larger installations run over $500,000. Waldron has supplied equipment to Alcoa, Reynolds and Kaiser. It is also moving into steel coating. Another "fairly significant" Waldron line is gear-type and flexible couplings for pumps, compressors, industrial machinery.

New Trio. In the 16 months after the Midland-Ross get-together, the company made three small acquisitions which brought about $10,000-000 additional annual volume. Hartig Engine & Machine of Mountainside, NJ (March 1958) makes mostly plastic extruding machinery; customers range from Ideal Toy to Union Carbide. In October 1958 MLR bought from Albany's Consolidated Metal Products a line of electric & pneumatic door opening mechanisms. It moved this operation to the Owosso, Mich power brake plant. The third new unit (April 1959) was Nelson Metal Products of Grand Rapids which makes zinc and aluminum die castings.

Then came the big Surface Combustion-Janitrol acquisition, paid for in part by the $7,500,000 realized from liquidation of the old Detroit car frame plant which was closed down at the end of the '59 model runs. The rest of the funds were obtained through $18,000,000 bank and insurance loans.

Further acquisitions, from fair-sized to (more likely) rather small, are not ruled out though "we certainly have nothing definite on the fire right now." But the moves to date, along with the loss of the Dodge-Plymouth frame business (which came to about $20,000,000 last year, substantially more in peak periods), have already drastically reblended the Midland-Ross product mix.

Last year the once-100% automotive share of company business was down to 67%; this year the ratio is estimated at 39%—and more than half of this is the more stable, less threatened truck business. Capital goods accounted for 29% of volume last year, should rise to 43% in 1960. Another 11% of this year's sales are expected from consumer durables, 7% from aircraft and missiles.

Earnings Base. Along with the wider product base on which to build sturdy and substantial future growth,

MLR sees greater near-term profits. In good Chrysler and booming capital goods year 1957, Midland and Ross had put together record sales of $107,000,000 and respectable earnings of $5,460,000 or $6.91 a share. In the next year's recession, car and capital business slumped severely, dropped sales to $76,300,000 and profits to a postwar low of $3.29.

Last year saw some recovery but rise in volume was limited by the lost car frame business and a continued lag in capital goods. Profits were also affected by closing costs of the Detroit frame plant and some steel strike effects. Nonetheless finance vp Edward F March figures 1959 net rose to a bit over $4.50 a share on sales of $86,500,000.

The 1960 outlook is considerably brighter. While capital equipment billings were down last year, new bookings came in at a gratifying rate in the latter part of 1959. As a result, Cam Elliott notes backlog at Waldron was up 30% by year-end, at Ross 40% and at the smaller Canadian subsidiary 400%—which "will reflect itself in this year's earnings." Gains in other activities should largely offset the lost frame orders and with the $45,000,000-a-year Surface and Janitrol volume included for the full year, Wade Harris looks for 1960 volume of $120,000,000, earnings around $6 a share. And the Midland-Ross planners have projected a volume of $161,000,000 by 1964 "based on present penetration of our markets and with no further diversification."

No doubt Wade Harris and crew would be disappointed if their market penetration fared no better than that. They see good growth opportunities in virtually all their units. When asked, they cite the Owosso division as likely to see the greatest percentage growth. "We only have a small portion now of the available air & vacuum brake business." Also the small door-opener line should show good gains. All told, vps Elliott and March think Owosso should do $18,000,000 this year and double last year's $14,500,000 volume in "five years or less."

The optimism has been pervasive enough to carry MLR shares from 40 to 60 last year and despite the sharp general market drop so far this year they remained around 58 last week. The company which has paid uninterrupted quarterly dividends since 1936 has a reputation for treating its 9,000 stockholders liberally. So if business lives up to expectation, Wall Streeters feel the present 75¢ quarterly rate may be boosted within a year or so. And with common capitalization a meager 681,000 shares, they think a good year could also bring some stock distribution.

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HAWAIIAN PUNCH PARTY

For a "special occasion" drink (non-alcoholic, that is) with an "every day" price the sarong-clad miss below literally boosts Hawaiian Punch, a secret blend of orange, pineapple, passion fruit and other ingredients concocted by Pacific Hawaiian Products Company of Fullerton, Cal. Available in both ready-to-drink and concentrate forms, Hawaiian Punch and companion drink Hawaiian Golden Punch, a pineapple-passion fruit mixture introduced in 1958, have made Pacific Hawaiian's cup to overflow with a steadily increasing stream of dollars.

Since 1957 when the company began nationwide distribution of its "exotic nectars," sales have risen some 65% to an estimated $17,750,000 for 1959 while earnings have climbed from $491,000 or 66¢ a share to 90¢ in 1958 and an estimated $1.10 last year. The 774,000 Pacific Hawaiian shares have also climbed sharply. In the past year alone they have almost doubled, now trade around 19 over-the-counter. Dividends have just been raised to 10¢ from the 7½¢ quarterly rate maintained since a 3-for-1 split a year ago. A 3% stock distribution was paid in December.

The popular juices are now found at groceries and chains throughout the US. The top three food chains—A&P, Safeway, Kroger—account for 23% of volume. Another 15% is bought by Pacific Hawaiian's seven next-best customers: American Stores, National Tea, Food Fair, First National, Grand Union, Jewel Tea and Winn-Dixie.

All fruits for the punches are grown in the 50th state. To assure supplies Pacific Hawaiian last June acquired Hawaiian Fruit Growers Exchange Ltd, Honolulu tropical fruit processor and marketer. But the blending is done exclusively at the company's Fullerton plant to protect the precious secrets. Canning and processing of the concentrates is then carried on under contract by sixteen independent canners. Most of the frozen concentrate is processed by Sunkist and Stokely-Van Camp.

Despite keen competition from other fruit juices as well as the myriad soft drinks on the market, Pacific Hawaiian president Reuben P. Hughes expects 1960 gains to about match the 1959 growth rate.

TACTICS AND STRATEGY

Will Rogers had an unequalled knack for sizing up our society's troubles in pithy phrases and homely terms. "Our country has plenty of good 5¢ cigars," he said, "but the trouble is they charge 15¢ for them."

The observation was probably never so true as it is now and never so applicable as it is to the stock market today. A few years ago, most stocks sold at prices from five to twenty times their annual earnings per share, with established companies that paid liberal dividends usually at the lower end of the scale and growth companies that were engaged in developing new products and markets at the higher end of the scale. Now there are numerous stocks selling at 30, 40, 50 times earnings.

Does that mean that if you're not an investor already, you should stay out of the market? Not necessarily. But it does mean that you should do your buying with your eyes wide open, avoiding overpriced issues and concentrating on companies with promising potentials. And after you buy, you'll want to keep a watchful eye on your stocks and get rid of any that fail to measure up to reasonable expectations.

You may find our "Guide for Investors" helpful in selecting securities that suit your situation. "Guide" is a four-page leaflet that discusses the business outlook in general, assesses the prospects for leading industries, and lists a few dozen issues that our Research Department believes are appropriate for various investment objectives. The new "Guide" is just off press, and a copy is yours for the asking, without charge or obligation.

Accepted as controlled circulation publication at POUGHKEEPSIE, N. Y.

Published by
MERRILL LYNCH, PIERCE, FENNER & SMITH
INCORPORATED
70 PINE STREET • NEW YORK 5, N. Y.

Please send address changes to
Western Printing Co., Poughkeepsie, N. Y.